

AMAP BDS K&P

Research Plan for Component B: Market Assessments

This research plan provides a brief introduction to the topic of BDS market assessments; outlines the vision, objectives, and conceptual approach for the BDSK&P research, presents the management plan for collaboration among the three contractors, and briefly describes each of the activities to be undertaken and the resulting deliverables. The plan highlights specific “checkpoints” meant to confirm the demand-led nature of the research.

Introduction

Private sector development aims to generate economic growth by stimulating innovation and the capacity of firms to respond to opportunities and consequently, the growth of enterprises of all sizes. Expected results include the generation of productive employment and poverty alleviation. However, there is evidence that poor people, many of whom own or work in microenterprises, may not *automatically* benefit from –or contribute to - overall private sector growth.

MSMEs (micro, small and medium enterprises) are part of value chains that are delivering goods and services to domestic and global markets. They may interact with a variety of different markets and firms as they purchase inputs, acquire services, sell products or services and transact with other enterprises. How they, individually or as groups of firms, are integrated into these value chains and markets is governed by dynamic factors such as knowledge and information flows, power relationships, economic opportunities, transaction costs, technology, business relationships, inter-firm linkages, and their own capacity for change and innovation.¹ Recent research indicates that globalization and advances in communications, logistics and technology offer new opportunities for innovation in micro and small enterprises, while at the same time making microenterprises’ effective integration into value chains and markets increasingly important to their survival and growth.² The enabling environment for business also has a profound and often disproportional effect on microenterprises whether they operate in the formal or informal sectors because they have less capacity to offset or circumvent higher transactions costs caused by a flawed enabling environment.³

Within this context, business development services (BDS) can play a key role in helping MSMEs to innovate or upgrade, transition to higher-return activities and penetrate new markets, and overcome regulatory or other constraints. Meanwhile, BDS targeting the most vulnerable populations may simply enhance income-generation strategies which are viable in the shorter term. Within the context of larger private sector development interventions designed to stimulate broader economic growth, the adoption of a market

¹ Kaplinsky, Raphael and Mike Morris “A Handbook for Value Chain Research” IDRC, undated.

² Ernst, Ulrich “Potential engine of growth? Looking at microenterprises through the competitiveness lens” Development Alternatives, Inc. Draft, September, 2003.

³ Ernst, 2003.

development strategy including the successful facilitation of commercial BDS can serve as the foundation of a larger project's competitiveness strategy, sustainability plan, or exit strategy.

Donors or practitioners planning to implement either broad private sector development programs or more targeted microenterprise development programs need tools that help them design interventions which allow microenterprises to participate in dynamic growth, or allow poor microenterprises to survive, stabilize and make small, incremental increases in profits. Particularly important for our work under AMAP, is the focus on the needs and demands of USAID missions. Overall, the field as a whole also needs to know more about how an understanding of markets, value chains and the business environment can help those operating in the markets themselves, often serving or interacting with microenterprises, to make strategic business decisions.

While a variety of market assessment tools exists, they do not meet all of the needs raised above. Also, the tools' objectives are not always clear and they are often used in a piecemeal fashion. The *BDSK&P Market Assessment Research*, implemented by DAI, ACDI/VOCA and LBI, will address these gaps and weaknesses. Through the research, the contractors will make the market assessment process more user-friendly, outlining key questions that USAID missions, practitioners and other donors must ask to design effective programs and offering tools that can help them answer those questions.

Vision

The *BDSK&P Market Assessment Research* will offer USAID missions, practitioners and other donors a range of conceptually clear and practical tools for market assessment and other pre-design research, as well as a decision-making guide to help them choose the right tools for use in different contexts—whether that be in programs focused on trade, agribusinesses, competitiveness, export promotion, post-conflict areas, natural resource management, disadvantaged or HIV/AIDS populations, or others. Use of the guide and tools will improve the design, performance, and outcomes of private sector and MSME development programs.

Specific Objectives

- To systematize and prioritize existing frameworks and tools for analyzing markets, value chains and the business environment in which donor programs aim to promote private sector growth and MSME development.
- To adapt tools from other fields to fill the gaps needed for useful market assessment and pre-design research for microenterprise and private sector development programs.
- To develop a user-friendly decision framework and guide to market assessment and pre-design research for USAID missions, practitioners and other donors.

Conceptual Approach

The matrix and definitions in Annex 1 summarize and comment on the existing market assessment tools in use for three phases of research: strategy development, setting market development objectives, and project design and pilot testing. The Component B research team will use as a departure point a set of critical questions which, as a group, are relevant to all BDS interventions:

- What is the competitive advantage of a cluster or industry or product market? (dependent upon that which the program is focused on)
- Where are the market opportunities?
- What is the structure of the value chain? How could it be made more competitive? Where are the rents? Can rents be developed or increased for the country/ sector/ group of MSMEs in question?
- Which firms will the program target? (this may be broad or narrow)
- What services are necessary in order for MSMEs to upgrade?
- How can necessary services be effectively provided on a commercial basis?
- How can the program induce/promote the delivery of these services on a commercial basis? (program interventions)

These questions are indicative and may evolve as the research proceeds. The main idea is that the approach is meant to be issues-driven and demand-driven rather than tool-driven, with the assumption that there are recurring questions that come up whenever projects work to integrate MSMEs into productive value chains, whether international, regional or local.

This conceptual approach will be tested and refined based on early feedback from mission staff and practitioners. Questions and tools specific to certain types of interventions (i.e., trade, health, environment) may be added to the list as appropriate, although the focus will remain on the core issue of integrating MSEs into value chains. The research will also include tools and techniques that show how microenterprises are important actors within value chains and economies.

This approach is specifically designed to avoid past communication problems, where BDS tools and guidelines have focused on the narrow topic of BDS markets. The overall vision of the research, and the conceptual approach, recognize explicitly that the goal of developing BDS markets or enhancing BDS service provision is part of a larger picture. In addition, staff from USAID missions, BDSK&P's main audience, will be interviewed early on and encouraged to contribute actively to refining the research plan.

Organizing the Research

With leadership from DAI, the three contractors, DAI, ACDI/VOCA and LBI will work in a collaborative fashion to achieve the objectives of the Component B research. In addition, aspects of other components should contribute to the achievement of the Component B research objectives.

To ensure that the research remains demand-driven and that each contractor contributes to achieving the objectives, DAI proposes a process methodology with the following characteristics:

Transparency: DAI will offer a web-based system where Component B research team members and other interested parties can view and post documents such as meeting agendas, the research plan, works-in-progress, references, and comments. Access codes will be made available to the entire Component B research team, including AMAP contractors and USAID's Microenterprise Development office.

Component linkages: There are a number of activities (such as the mission stocktaking under C and B, and the inventory of programs and evaluations under D) which have project-wide relevance. Component B Coordinator Lara Goldmark will work proactively to ensure that synergies are exploited, information is shared, and that all AMAP contractors benefit from these activities.

Mission-responsive process: There are two ways to ensure that the Component B research remains responsive to mission needs. The first is a stocktaking exercise in which researchers will work with select mission staff to discuss the key questions they feel they must answer and will guide their demand for market assessment tools. The second is the active promotion of mission buy-ins to complement limited K&P resources to carry out specific field tests and adapt certain tools that respond to mission needs and complement the component research agenda.

An iterative research agenda: Immediately following the completion of the stocktaking exercise, a workshop will be held among all three contractors to determine whether the proposed products do indeed match demand as expressed during the stocktaking. Contractors will finalize which specific tools to prioritize based on a joint analysis of the stocktaking results. This type of "checkpoint" will be built into the three-year work plan at strategic moments.

Strategic dissemination: Although the Knowledge Management contractors are expected to contribute substantially to the dissemination of BDSK&P research products, it is important that the research team be aware of upcoming seminar and conferences which may represent opportunities to interact with mission staff, practitioners, and other donors; to discuss or communicate elements of the research agenda or release early deliverables.

Component B was conceived such that each of the AMAP BDS contractors would research and adapt tools within their particular specialization in order to fill the gaps in the stock of tools for the various design phases and for different actors. If indeed the gaps originally identified match those which are highlighted during the stocktaking process, then the division of technical areas might look like the following:

- DAI will specialize in BDS market assessment tools, competitiveness tools, and private sector consumer research tools;
- ACDI/VOCA will specialize in value chain tools, sub-sector analysis tools and selected participatory tools such as PACA and
- LBI will specialize in adapting appropriate tools for USAID missions and for commercial BDS providers.

Taken as a whole, this component should produce not just a set of tools, but a prioritization of which tools are most relevant in what contexts, a comprehensive guide to selecting and using the tools, and a group of stakeholders that are interested in using the tools.

Products and Deliverables⁴:

The research is divided into three phases:

- ◆ Phase I: Understanding Demand, which includes defining the research agenda, developing the conceptual framework and carrying out the stocktaking exercise (as all good market researchers do, before proceeding the Component B team will make a focused effort to confirm the assumptions that have been made about the demand for market assessment tools).
- ◆ Phase II: Adaptation and Field-Testing will focus on field work to adapt, test, and refine tools. The buy-in and participation of missions will be actively encouraged in this phase.
- ◆ Phase III: Systematizing for Users will take place in Year 3 and will focus on the production of user guides which will make accessible the most important knowledge gained during the research.

Along the way, a number of intermediate products will be used to ensure consistency in the work undertaken by the three contractors and to elicit feedback from important stakeholders. Products and deliverables are listed below. Tables 1 and 2 at the end of this document provide details with respect to timing, geography, staff, and opportunities for collaboration among the three contractors.

Phase I: Understanding Demand

- **Draft Decision Making Framework.** This intermediate product will provide a rough outline of a decision making framework for missions and practitioners—the people

⁴ The term *product* is used in this document to refer to materials, documents, or events that represent the outcome of the researchers' technical efforts. Products may be intermediate or final, and will often be circulated in an informal manner. *Deliverables* represent the version of a final product which is officially submitted to USAID by a contractor, and against which invoicing takes place. Deliverables may be technical or administrative (i.e., publications or management reports).

who manage the process and make decisions about pre-design assessment, and the people who implement the assessment—to guide them through the market assessment and pre-design process. The framework will depart from the conceptual questions listed above, which identify the important areas of understanding necessary to design and implement a successful BDS intervention. It will also include such practical questions as: Who is managing and who is implementing the research? At what stage in the program design process is the user? How large is the project? How much time and funds are available for the program design process? This preliminary tool will be introduced by the contractors during the stock-taking or, if appropriate, in the context of STTA assignments to gauge demand for this product and obtain early feedback from the AMAP audiences. *Final deliverable? No (intermediate). Deadline: 2/17/04. Responsibility: DAI.*

- **Stocktaking Guide:** This intermediate product will provide all contractors with a brief description of the information required on each tool, and the questions to be included when asking about other donors' experience in adapting tools to the BDS context. This will ensure that all contractors collect uniform information. The guide will also propose a list of respondents for the stocktaking and a division of those respondents among the contractors, to ensure that respondents are not contacted more than once. *Final deliverable? No (intermediate). Deadline: 2/17/03 Responsibility: DAI with inputs from ACDI/VOCA and LBI.*
- **Memorandum on the Findings of the Stocktaking:** This deliverable will summarize the findings of all three contractors from the stock-taking on market assessment and other pre-design assessment tools. This product will help the contractors refine the list of market assessment tools for adaptation. *Final deliverable? Yes. Deadline: 3/15/03. Responsibility: DAI with inputs from ACDI/VOCA and LBI.*
- **Workshop** to review findings of the stocktaking. This workshop is planned as a “checkpoint” for the Component B research, to evaluate whether or not the tools that have been proposed for adaptation (competitiveness tools, Micro-Save tools, subsector, value chain, PACA, and provider tools) are really the ones that are in most demand. During the workshop the results of the stocktaking will be shared, and all three contractors will revisit the research plan to determine whether the activities should go forward as planned, or need alteration. *Final deliverable? No (intermediate). Deadline: 4/5/04. Responsibility: DAI, with inputs from entire Component B team.*

Phase II: Adaptation and Field Testing

- **Brief on Private Sector Tools for Market Assessment.** DAI will produce two user-friendly briefs aimed at missions, outlining private sector tools appropriately adapted to the development context. It is likely that the tools profiled will draw from the

strategy and competitiveness fields. As a proposed new activity if there is mission interest, DAI will refine this brief and add a case study after field testing of the tools. *Final deliverable? Y. Deadline: 8/31/03. Responsibility: DAI*

- **User Guides on Refined Tools for Value Chain and Participatory Market Assessment:** ACDI/VOCA will produce user guides for two categories of tools: a) market chain tools including subsector analysis and its variants, and value and commodity chain analysis, and 2) Local economic development (LED) planning tools including but not necessarily limited to PACA (participatory assessment of competitive advantage). Note: the workshop discussion will analyze whether it is necessary to review subsector tools given the comprehensive nature of value chain tools. *Final deliverable? Y. Deadline: 10/15/04. Responsibility: ACDI/VOCA.*
- **User Guide on Refined Tools for BDS Providers:** LBI will produce a user guide aimed at making market assessment tools accessible to BDS providers. LBI anticipates targeting commercial BDS providers, especially large buyers providing embedded services (for example, new supermarket chains and Payless Shoes in Central America). Tools which can help these players assess how and what to do to help their MSE suppliers upgrade will be prioritized. *Final deliverable? Y. Deadline: 10/15/04. Responsibility: LBI*
- **Adapting Micro-Save Tools for BDS:** DAI will produce a kit of participatory tools for BDS market assessment adapted from the Micro-Save Africa tools that have been developed for microfinance. The toolkit will enable users to conduct participatory assessments of BDS markets for microenterprises and use the resulting information for program design. *Final deliverable? Y. Deadline: 3/15/05. Responsibility: DAI*

Phase III: Systematizing for Users

- **Decision Making Framework** on market assessment and other pre-design assessments: This framework will outline how USAID missions and practitioners can choose the most effective tools for market assessment and other pre-design assessments in their particular context. It will highlight key questions USAID missions need to ask during the program design process and guide them to appropriate tools for answering them in different contexts. *Final deliverable? N. Deadline: 2/15/05. Responsibility: DAI*
- **Market Assessment Guide for Donors and Practitioners:** The guide will build on the question-based framework developed in Phase I, outlining a process that will lead donors and practitioners through the decisions they need to make in program design and which tools to use to help address different decisions. The guide will include information on how to most effectively use each tool and is expected to lead to better

program designs and, ultimately, improved project results. *Final deliverable? Y.*
Deadline: 6/15/05. Responsibility: DAI.

- **Market Assessment Guide for USAID Missions:** This document, produced by LBI, will guide USAID missions through the market assessment and program design process. It will offer guidance on topics such as how to identify a good research contractor, how to write an appropriate and effective research scope of work, how to judge research proposals and how to use research results in program design. This guide is expected to lead to more effective USAID mission programs and, ultimately, better results from those programs. Deliverable? Y. Deadline: 7/15/05.
Responsibility: LBI